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KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1215)

PROPOSED CHANGE OF AUDITORS

The Board announces that HLB resigned as auditors of the Company with effect from 6 June 2008 and the Board has resolved to propose to appoint Deloitte Touche Tohmatsu as auditors of the Company to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. The appointment of Deloitte Touche Tohmatsu as auditors of the Company is subject to the approval of the shareholders of the Company at the SGM.

The board of directors (“**Board**”) of Kai Yuan Holdings Limited (the “**Company**”) announces that HLB Hodgson Impey Cheng (“**HLB**”) resigned as auditors of the Company with effect from 6 June 2008.

The Board was informed by HLB that it had decided to cease to act as the Company’s auditors after taking into account of various factors including the level of audit fees and their available internal resources in light of current work flows.

HLB confirmed in its letter of resignation that there were no other circumstances connected with their resignation which they considered should be brought to the attention of the shareholders or creditors of the Company.

The Board has resolved to propose to appoint Deloitte Touche Tohmatsu as auditors of the Company to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. The appointment of Deloitte Touche Tohmatsu is subject to the approval by the shareholders of the Company at a special general meeting of the Company (“**SGM**”).

The Board would like to thank HLB for their past services provided to the Company.

A circular containing further details of the proposed change of auditors, together with a notice of the SGM, will be despatched to the shareholders of the Company as soon as practicable.

By Order of the Board
Kai Yuan Holdings Limited
Yip Kar Hang, Raymond
*Executive Director and
Chief Executive Officer*

Hong Kong, 10 June 2008

As at the date of this announcement, the Board consists of three executive Directors, namely, Mr. Hu Yishi, Mr. Yip Kar Hang, Raymond and Mr. Lam Cheung Shing, Richard; one non-executive Director, namely, Mr. Hu Jin Xing; and three independent non-executive Directors, namely, Mr. Tam Sun Wing, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun.